

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
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)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to Investigate Proposed)
Amendments to the Framework for Integrated)
Resource Planning.)
_____)

Docket No. 2009-0108

PUBLIC UTILITIES
COMMISSION

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LIFE OF THE LAND
STATEMENT OF POSITION re
CESP FRAMEWORK
&
CERTIFICATE OF SERVICE

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Aloha,

Introduction

On September 23, 2009, the Public Utilities Commission ("Commission") issued a Stipulated Procedural Order in this docket which seeks to examine and perhaps update the Integrated Resource Planning ("IRP") Framework. The issues in the docket are:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?
3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

(I). What are the objectives of CESP and how do they differ from the objectives of IRP?

On October 20, 2008 the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies (Hawaiian Electric Company, Maui Electric Company Ltd, and Hawaïi Electric Light Company) signed an Energy Agreement ("Energy Agreement").

On November 6, 2008 the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies sent a

letter to the Public Utilities Commission requesting that the Commission close all Integrated Resource Planning ("IRP") dockets.

On November 26, 2008, The Commission closed HECO IRP-4 and HELCO IRP-4 and suspended all activities pursuant to the IRP Framework, and shortly thereafter closed the MECO IRP docket.

"The opening of a new docket to establish the CESP process will provide a vehicle for the Commission to review, evaluate and approve the specifics of the CESP process which are generally discussed in the Energy Agreement." (Order Closing Docket, page 3) The utilities then began racing through new dockets outside of this review process. HECO requested approval for a Lifeline Rate Program (Docket 2009-0096, filed April 30, 2009); requested approval for a PV Host Pilot Program (Docket 2009-0098), filed April 30, 2009); requested approval for a biofuel-LSFO co-firing demonstration project (Docket 2009-0155, filed July 13, 2009); opened its first docket to examine building the State's single largest energy project (400MW) on Moloka'i and Lana'i and building an interisland cable system (Docket 2009-0162, filed July 17, 2009); and requested approval of a Power Purchase Agreement with Kahuku Wind Power LLC (Docket 2009-0176, filed August 5, 2009). MECO filed a notice of intent for a rate case (Docket 2009-0163); and approval for a biofuel project (Docket 2009-0168, filed July 24, 2009). HELCO requested approval for the Puna Turbine Upgrade Project (Docket 2009-0104, filed May 6, 2009); and filed a notice of intent for a rate case (Docket 2009-0164). KIUC requested approval for a Power Purchase Agreement with Kauai Energy Partners LLC (Docket 2008-0315, filed December 12, 2008); and filed a notice of intent for a rate hike (Docket 2009-0050, filed March 3, 2009). In addition, the Public Utilities Commission opened a proceeding to Investigate the Implementation of Feed-In Tariffs (Docket 2008-0273 dated October 24, 2008); opened a proceeding to Investigate a Decoupling Mechanism for the HECO Companies (Docket 2008-0274 dated October 24, 2008); and opened an Investigation of the December 26, 2008 Outage (Docket 2009-0005).

The Order closing HECO IRP-4 also stated: "According to HECO and the Consumer Advocate: As a part of the Energy Agreement and in order to improve analysis and guidance for Hawaii's clean energy future, the HCEI Parties agreed to replace the current Integrated Resource Planning ("IRP") process with a new [Clean Energy Scenario Planning ("CESP")] process. Specifically, the HCEI Parties agreed to the following: The CESP process will provide high level guidance on long term (10-20 years) direction and an Action Plan for near term initiatives (5 years), balancing how the utility will meet its customers expected energy needs as modified by planned energy efficiency, renewables substitution and demand response, encouraging high levels of renewable and clean energy with distributed resources, while protecting reliability at reasonable costs. The CESP process will be conducted on an on-going basis with a new Clean Energy Scenario Plan developed in three-year cycles. The CESP process will include exploring alternative energy scenarios, risks and uncertainties, to develop a base case and variations for a 20-year planning horizon. Since clean energy actions and choices on one island may affect the entire State, all Hawaiian Electric utilities shall conduct the CESP process in parallel or as one CESP process for all three utilities, using common economic and other assumptions and common scenarios for technology, economic, and development paths and options, while maintaining the option to also develop island-specific scenarios. The Hawaiian Electric utilities shall conduct a comprehensive generation and transmission analysis every three years to support the evaluation of several planning scenarios to be considered in developing the new base case. In addition, the Hawaiian Electric utilities shall provide Locational Value Maps that will guide the identification of geographic areas of distribution system growth for potential application of new energy efficiency, demand response, and distributed generation and storage within Clean Energy Investment Zones. The CESP process will incorporate an Advisory Committee and a public review process" (pages 1-3).

Comparison of IRP and CESP.

Similarities

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| HECO Integrated Resource Plan 2009-2028 (IRP-4) dated Sept. 30, 2008 (Docket 2007-0084) | PUC Order Closing 2007-0084: CESP will contain ... |
| "Hawaiian Electric Company's Integrated Resource Planning (IRP) process is designed to develop a comprehensive 20-year plan (ES-1) | The CESP process will provide high level guidance on long term (10-20 years) direction" |
| "The action plan identifies the steps to be undertaken in the next five years to implement the IRP preferred plan." (ES-12) | an Action Plan for near term initiatives (5 years). |
| Hawaiian Electric has an obligation to serve its customers. The public expects electrical service consistently and with quality. (ES-1) Electric's infrastructure is critical to providing the service customers expect and deserve (ES-6) | how the utility will meet its customers expected energy needs |

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| <p>Traditional fossil fuel electrical generation must give way to renewable energy and other pathways to control energy use. (ES-1)</p> <p>our desire to use clean energy sources (ES-1)</p> <p>Hawaiian Electric has two main objectives: transition the system to one that focuses on renewable energy, energy efficiency, and energy conservation (ES-1)</p> <p>Hawaiian Electric needs to transition its generation and transmission system to focus on renewable energy, energy efficiency, and energy conservation. (ES-2)</p> <p>The main features of this ambitious IRP preferred plan are: ... 149 MWs of distributed resources . (ES-9)</p> <p>Even though the range of possible technologies is almost limitless we believe that the most promising technologies are likely to be those that make use of our indigenous natural resources. (4-18)</p> | <p>encouraging high levels of renewable and clean energy with distributed resources</p> |

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| <p>Hawaiian Electric has two main objectives: ... keep the current system providing reliable power. (ES-1)</p> <p>The reliability of Hawaiian Electric's electric system is key to public safety (ES-6)</p> <p>The IRP Framework ... establishes three general objectives for IRP: efficiency, reliability, and cost. (3-1)</p> <p>The IRP Framework defined the goal of IRP as "the identification of the resources or the mix of resources [in a] reliable manner at the lowest reasonable cost: (3-1)</p> | <p>protecting reliability at reasonable costs</p> |
| <p>Since the IRP is a long term plan for developing electrical infrastructure on Oahu it needs to incorporate definable risks in its analysis. (4-19)</p> <p>For HECO IRP-4, integration analysis was done ... to quantify the range of uncertainty that was involved with planning for the future. (8-1)</p> <p>sensitivity analyses (i.e., the test of uncertainty of forecasted inputs) were performed to determine how the draft Benchmark Plan would change as key input parameters were changed. (8-1)</p> | <p>exploring ... risks and uncertainties</p> |

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| For the purposes of IRP-4 we have made simplifying assumptions about several institutional and technological issues.(4-18) | using common economic and other assumptions |
| <p>Long-term [transmission] analyses covering time periods ranging from six to 20 years and short-term analyses covering a period of five years or less are conducted when needed. (5-14)</p> <p>Reliability Considerations of the Transmission System. From a planning perspective, there are basically two types of reliability concerns against which HECO continuously try to guard. The first type of reliability concern is a catastrophic power outage, where disturbances on the system could potentially throw the entire system into instability. The second type of reliability concern is a localized power outage, where the outage affects a limited area of the island. (5-17)</p> | comprehensive ... transmission analysis every three years |

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| <p>renewable energy exists at specific locations based on the resource involved and is geographically constrained, often in remote locations away from load centers and existing electric transmission infrastructure.(ES-5)</p> <p>95% of state in "Acceptable" solar zone (F-370)</p> <p>DSM, DG and CHP reduce the load demand in geographic areas and may be able to reduce the overload condition or provide generation where voltage support is needed to maintain adequate voltage levels (F-166)</p> <p>The Commission approved the following DSM program objectives in the Energy Efficiency docket ... targeted geographical load reduction (F-421)</p> | <p>identification of geographic areas ... for potential application of new energy efficiency, demand response, and distributed generation and storage within Clean Energy Investment Zones</p> |
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Differences

The chief difference between the IRP and the CESP is that CESP specifically mentions Clean Energy Investment Zones ("CEIZ") and **Locational** Value Maps (LVM), whereas the IRP does not explicitly reference them. However, there is nothing in the IRP Framework that would prevent these concepts from being explored in IRP analysis. But before that analysis occurs, the utility should address the centralization paradigm versus the distributed generation

paradigm. Should we focus on large rural wind and photovoltaic systems or small urban on-site and rooftop systems. The other issue that needs analysis before jumping into the CEIZ and LVM concepts is, why do tropical islands with intense trade winds, constant solar energy and surrounded by deep cold oceans need to create artificial clean energy zones.

(II) Proposed Changes

Integrated Resource Planning (IRP) was new to Hawai'i 20 years ago. The process has had some successes and some failures, and is now in need of an overhaul.

Let us designate the old IRP process as IRP-1 and the new overhaul as IRP-2.

IRP-2 should not be restricted to cosmetic changes of IRP-1. Instead, a new model should be developed that allows for the transformation of Hawaii. Regardless of the numerous reasons for supporting a transformation -- energy security, energy independence, self-reliance, economic security, favorable state balance of payments, etc. -- we must make the change due to the currently occurring and soon to get much worse climate change.

For the purpose of this discussion, Life of the Land is focusing on the HECO Companies.

While the HECO Companies and the Consumer Advocate ("CA") signed an Energy Agreement, which supports initiating a process called Clean Energy Scenario Planning ("CESP"), Life of the Land continues to believe that the best planning process is one that does not have numerous, mandated, pre-conditions requiring the development of specific supply-side and demand-side resources.

In IRP-1 a utility goes through five processes sequentially:

In the first step of the process, the Advisory Group phase, the utility lays out a broad image of where it plans to go in the future, specific load and fuel price forecasts, listens to the public, goes behind closed doors, uses a classified black box, and produces a preferred plan and a set of rejected plans.

In the second step of the process the utility submits a plan to the Public Utilities Commission ("Commission"), various parties apply to be intervenors or participants, discovery occurs, statements, testimony and exhibits are assembled, etc.

In the third step of the process the Commission decides what to do with the filing. Recently that means to file it without approving it.

In the fourth step of the process the utility proposes projects that may or may not have been in the IRP, but as long as they are somehow consistent with a plan they can move forward (to the best of our knowledge, no submittal has ever been filed that is not somehow consistent with the IRP).

In the final step of the process the utility updates the plan in yearly filings with the Commission outside of any review process by either the Advisory Group or the Intervenors.

While the process is supposed to be repeated every 3 years, HECO has only gone through the process 3 times in about 17 years. The third one was abandoned because actual HECO actions got ahead of the plans. The fourth was opened and then HECO requested closing it so that this overhaul could occur.

PROPOSED IRP-2

A. Responsibilities of the Commission

1. The Commission may publish a Request For Proposal ("RFP"), or shall appoint a staff member, to facilitate the Advisory Group phase of the IRP-2 process. The facilitator should be familiar with both Hawaii and utility planning.
2. Starting the second week of May 2010, and then every four years thereafter, the Commission shall open a single IRP-2 docket to cover HECO, MECO and HELCO's planning process.
3. Organizations wishing to be fully involved in the process must file a Motion to Intervene ("MTI") with the Commission. Those wishing to serve on the Advisory Group but not be parties to the formal proceeding shall file a letter with the Commission indicating their intent.
4. The Commission shall determine who are the intervenors and participants.
5. The Commission may issue Information Requests to any Party at any time.
6. The Commission shall give greater weight to evidence generated in an open and transparent method.
7. The Commission shall have the option to make recommendations or issue interim rulings regarding any aspect of an on-going IRP-2 process.
8. The Commission should be allowed to adopt, modify or reject any portion of an IRP-2 Plan.

9. The Commission shall not be subject any fast track, automatic approval, or other restrictive mechanism.

10. The Commission may authorize a partial or full payment to cover costs accrued above and beyond what the Party raised where (a) the Party significantly influenced the outcome of the docket; (b) where the Party kept accurate records; and (c) where the Party actively sought to raise funds to cover their costs.

11. The Commission shall determine the amount of funds that HECO can recover for financing the facilitator's work, paying for the simulations, recovering the costs of the HECO Companies, recovering the costs the Commission has authorized for non-utility Parties, the payment to the Court Reporter for producing the Transcript, and other reasonable costs.

B. Responsibilities of the Parties and Participants

1. The parties and participants shall work to see to it that meetings are open, cordial, and productive.

2. The parties and participants shall endeavor to attend the Advisory Group meetings that occur on the island that they live on, and shall have the right to attend meetings on other islands

3. No Party shall have access to the Transcript until it has been posted to the Commission website

C. Responsibility of the Facilitator(s)

1. The facilitator -- or the Commission -- may hire or bring on additional persons to assist the facilitator or for recording the meetings.

2. The facilitator shall oversee Advisory Groups held on each island.
3. The facilitator shall see to it that meetings are open, cordial, and productive
4. The facilitator shall determine the scenarios that will be examined.
5. The facilitator shall file a Report with the Commission.

D. The Scenarios

1. The Simulation Model used to analyze different outcomes should either be publicly available (non-proprietary) or proprietary whereby parties who have signed confidentiality statements may see the inner workings.
2. Each party should be free to review the assumptions used in various scenarios
3. Each party shall be free to use alternative publicly available simulation models.
4. If an open source Stimulation Model is used, each party shall be able to test scenario stability by analyzing the impact of small tweaks; run alternative scenarios;
5. Each scenario should be compared to each other scenario using R2 correlation analysis, that is, how correlated are the different scenarios. Put another way, are there major hard-wired (unchangeable) components that make the individual scenarios merely tweaks of other scenarios, or are the scenarios quite different from each other. By comparing each plan to each other plan using R2 analysis, the public can see how much is on the table for true discussion (low R2) versus how much of the plans were create behind closed doors and are deterministic in nature (high R2).

6. One scenario should look at a system that maximizes distributed generation, that is, seeks to create a system where new power facilities are located on residential, commercial and government buildings and where there are no planned transmission upgrades and no smart grids.

E. The Timeline: The First Year

1. The Commission shall open the docket on the second week of May 2010 and close it on December 30, 2011.

2. The Commission shall open a new IRP docket every four years, i.e., May 2014, May 2018, etc.

3. On June 1, HECO, MECO and HELCO shall each file with the Commission either a copy of, or an electronic link to, (a) their latest 5-year Capital Expenditure Budget; (b) their latest Adequacy of Service Report; (c) their latest fuel price forecast; (d) the amount of kWhr sold in the previous 12-months for each rate class; (e) the average rate paid by each rate class for the previous 12-months; (f) a list of dockets they expect to open in the next four years along with an estimated date for each opening; (g) planned transmission upgrades over the next five years; (h) planned new substations and upgraded substations over the next five years; (i) planned major distribution systems and upgrades over the next five years and (j) informal strawperson 5-year plans.

4. On June 1, each non utility shall submit an informal strawperson plan and any relevant documents regarding the issues that they believe should be in the utility's 5-year plan.

5. On June 15 the facilitator shall initiate the Advisory Group process.

6. On December 1 the facilitator shall finish the Advisory Group process

7. On December 15 the facilitator shall submit a report to the Commission

F. The Timeline: The Second Year

1. On January 1 of the second year the utilities shall file a single 5-year plan with the Public Utilities Commission. Other parties may simultaneously file their proposals with the Commission
2. On February 1, the Parties shall file with the Commission their Information Requests to other Parties.
3. On March 1, the Parties shall with the Commission their Responses to Information Requests.
4. On April 1, the Parties shall submit testimony to the Commission. Any Party that does not submit testimony shall be dropped from the list of parties to the proceeding.
5. On May 1, the Parties shall file with the Commission their Information Requests to Other Parties re their Testimony
6. On June 1, the Parties shall file with the Commission their Responses to Information Requests.
7. In August-September the Commission may hold Panel Discussions or an Evidentiary Hearing.
8. The Transcript shall be filed with the Commission and available for download.
9. Three weeks after the transcript is released, the Parties shall file Opening Briefs.

10. Two weeks after the Parties file their Opening Briefs, they shall file Reply Briefs.

11. The Commission shall issue a Decision and Order by the end of the year.

G. Filings

1. Each party making a filing with the Commission shall file one hard copy and one electronic copy with the Commission.

2. Parties and participants may keep up to date on docket proceedings by filing out the proper information on the "Subscribe to Distribution List" page of the Commission's Document Management System web site.

H. The Court Reporter

1. The Court Reported shall be paid to make one Transcript available to the Commission's web site.

2. The Court Reported shall not be paid if they slip one copy to any Party before it is available on the Commission web site -- thus giving that Party an unfair advantage.

(III) Are the proposed reasonable and in the public interest?

Yes. The reasonableness of this proposal will be elaborated upon as the docket advances.

(IV) How should KIUC and the state's public benefits fee administrator be treated?

While we believe in some public planning process for The Gas Company, the Kauai Island Utility Cooperative ("KIUC"), the state's public benefits fee administrator and SAIC, they are significantly different so their planning processes need to reflect this. For this statement, we are talking only about the HECO Companies.

CERTIFICATE OF SERVICE

The original and four copies of this document, Life of the Land's Draft CESP Framework, was hand delivered to the Public Utilities Commission, one copy was hand delivered to each of the Consumer Advocate, DBEDT and HECO, and the document was emailed to the email list below.

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Dated: September 25, 2009, Honolulu, HI

/s/ Henry Q Curtis
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